

Message Text

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PAGE 01 VANCOU 00513 080252Z

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TAGS: EMIN, ELTN, ENRG, CA

SUBJECT: YUKON TERRITORY MINING DEVELOPMENTS

REF: VANCOUVER 494

1. SUMMARY: FOLLOWING A BOOM YEAR IN 1975, THE YUKON MINING INDUSTRY SUFFERED A SEVERE SLUMP IN 1976, PRIMARILY DUE TO LABOR STRIFE, AND THE SHORT-TERM OUTLOOK IS CLOUDED WITH SEVERAL LARGE MINES FACING POSSIBLE CLOSURE WITHIN THE NEXT SEVERAL YEARS. OVER THE LONGER TERM, NEW AND IMPORTANT MINERAL DEPOSITS MAY BE ABLE TO BE EXPLOITED, DEPENDING ON THE AVAILABILITY OF ELECTRIC POWER AND IMPROVED TRANSPORTATION FACILITIES. END SUMMARY.

2. THIS IS THE SECOND REPORT ON THE ECONOMIC AND POLITICAL SITUATION IN THE YUKON TERRITORY, BASED ON A VISIT MAY 17-23 BY THE CONGEN COMMERCIAL OFFICER.

3. PRODUCTION DECLINE. MINERAL EXPLORATION ACTIVITIES IN THE YUKON TERRITORY CONTINUED STRONG IN 1976 BUT THE GROSS VALUE OF ACTUAL MINING PRODUCTION DECLINED SHARPLY FROM DOLS 228.9 MILLION IN 1975
UNCLASSIFIED

UNCLASSIFIED

PAGE 02 VANCOU 00513 080252Z

TO DOLS 138.5 MILLION IN 1976, PRIMARILY AS A RESULT OF PROLONGED LABOR DISPUTES. ESPECIALLY HARD-HIT WAS THE CYPRUS ANVIL LEAD-ZINC MINE AT FARO, WHERE A STRIKE EVOLVED INTO A LENGTHY WORK STOPPAGE (JULY 30-NOV 23) IN PROTEST AGAINST AN AIB ROLLBACK OF A NEGOTIATED WAGE RATE SETTLEMENT.

4. PROSPECTIVE MINE CLOSURES. OF FOUR MAJOR MINES IN THE YUKON,

THREE MAY CLOSE BY 1980. CASSIAR HAS ANNOUNCED PLANS TO CLOSE ITS CLINTON CREEK ASBESTOS MINE BY 1980 DUE TO DEPLETION OF THE ORE BODY. THERE ARE NO CURRENT PLANS TO DEVELOP OTHER PROPERTIES IN THE TERRITORY. THIS CLOSURE MAY SERIOUSLY AFFECT OPERATIONS OF THE WHITE PASS AND YUKON COUPORATION WHICH DEPENDS ON CASSIAR ASBESTOS FOR MOST OF ITS OUTHAUL SEA FREIGHT SHIPMENTS. TWO OTHER MINES, WHITEHORSE COPPER AND UNITED KENO HILL AT MAYO, ARE OPERATING ON ONLY APPROXIMATELY TWO YEARS' ORE RESERVES. UNLESS THEY DISCOVER NEW RESERVES THEY, TOO, MAY BE FORCED TO CLOSE BY 1980.

5. EXPLORATION AND POTENTIAL. THE YUKON MINING POTENTIAL NONETHELESS REMAINS HIGH. MAJOR NEW ORE BODIES HAVE BEEN DISCOVERED AND DEFINED IN RECENT YEARS IN THE FOLLOWING AREAS:

A. CASINO-MINTO COPPER BELT. THIS AREA, ALONG THE YUKON RIVER BETWEEN WHITEHORSE AND DAWSON, HOLDS SEVERAL MAJOR COPPER-MOLYBDENUM DEPOSITS, BUT DEVELOPMENT MAY BE VERY SLOW DUE TO LOW GRADE ORE AND DEPRESSED WORLD COPPER PRICES.

B. ANVIL RANGE(LEAD-ZINC). PRESENT CYPRUS ANVIL MINE IS LOCATED IN THIS AREA AND NEW PROPERTIES MAY BE ON THE VERGE OF DEVELOPMENT BY BOTH CYPRUS ANVIL AND KERR-ADDISON.

C. HOWARD'S PASS-MACMILLAN PASS. THIS MOST IMPORTANT AREA OF POTENTIAL DEVELOPMENT LIES ALONG YUKON-NWT BORDER. IT CONTAINS THREE IMPORTANT LEAD-ZINC DEPOSITS, TWO AT MACMILLAN PASS AND AN IMMENSE DEPOSIT AT HOWARD'S PASS(ORE BODY IS ESTIMATED AT TEN TIMES THE SIZE OF EXISTING CYPRUS ANVIL DEPOSIT). MAIN OBSTACLES TO DEVELOPMENT ARE LACK OF ELECTRIC POWER AND TRANSPORT FACILITIES.

UNCLASSIFIED

UNCLASSIFIED

PAGE 03 VANCOU 00513 080252Z

THERE IS ALSO A MAJOR TUNGSTEN DEPOSIT AT MACMILLAN PASS, BUT THE PRINCIPLE OBSTACLE TO ITS DEVELOPMENT REPORTEDLY IS THE CONTINUED SALE OF TUNGSTEN IN FREE WORLD MARKETS FROM U.S. STOCKPILES. OTHER EXPLORATION IN THE YUKON IS CENTERED ON URANIUM AND NATURAL GAS. OPENING OF THE DEMPSTER HIGHWAY, EXPECTED BY THE SUMMER 1979, COULD SPUR EXPLORATION OF THE EAGLE PLAIN GAS FIELDS. IT IS ALSO SPECULATED THAT POSSIBLE FUTURE CONSTRUCTION OF DEMPSTER HIGHWAY PIPELINE FOR MACKENZIE/BEAUFORT SEA GAS (SEE REFTTEL) COULD EVENTUALLY MAKE FEASIBLE THE DEVELOPMENT OF A HUGE IRON ORE DEPOSIT NEAR THE SNAKE RIVER BASED ON GAS DIRECT REDUCTION OF THE ORE WITH A CONSEQUENT LOWERING OF ORE TRANSPORT COSTS.

6. INFRASTRUCTURE. FUTURE MINING DEVELOPMENT IN THE YUKON IS HIGHLY DEPENDENT UPON AVAILABILITY OF ELECTRIC POWER. MINING INDUSTRY AND NORTHERN CANADA POWER COMMISSION (NCPC) ARE ENGAGED IN A CLASSIC ARGUMENT: NCPC REFUSES TO DEVELOP POWER UNLESS A MARKET IS GUARANTEED, AND INDUSTRY DECLINES TO DEVELOP MINES UNTIL ADEQUATE POWER AT ECONOMIC PRICES IS ASSURED. ESTIMATED TOTAL POWER DEMAND FOR POTENTIAL NEW MINES AMOUNTS TO APPROXIMATELY 100 MEGAWATTS. THIS IS

ABOUT EQUAL TO TOTAL PRESENT ELECTRICITY CONSUMPTION IN THE YUKON. AS NOTED IN REFTTEL, SELECTION OF PROPOSED ALCAN NATURAL GAS PIPE-LINE ROUTE, IF COUPLED WITH A DECISION TO USE ELECTRIC POWER FOR PUMPING STATIONS, COULD PROVIDE SUFFICIENT CONFIRMED DEMAND FOR ELECTRIC POWER TO JUSTIFY A MAJOR HYDRO-ELECTRIC PROJECT, THUS ENDING THE IMPASSE BETWEEN MINING INDUSTRY AND NCPC. UPGRADED TRANSPORTATION FACILITIES ARE ALSO MANDATORY, ESPECIALLY FOR DEVELOPMENT OF THE MACMILLAN PASS AREA. MINING COMPANIES WOULD LIKE TO SEE EXTENSION OF THE WHITE PASS-YUKON RAILWAY TO THE FARO AREA TO LOWER SHIPPING COSTS. IMPROVEMENT OF THE CANOL ROAD FROM THE MACMILLAN PASS AND A NEW ROAD TO HOWARD'S PASS ARE ALSO REQUIRED FOR DEVELOPMENT PURPOSES.

7. IMPACT ON U.S. INTERESTS. MINING DEVELOPMENTS IN THE YUKON INVOLVE MANY U.S. COMPANIES AND COULD HAVE AN IMPACT ON THE U.S. ECONOMY. OF THE PRODUCING MINES, CYPRUS ANVIL IS 60 PERCENT U.S. OWNED AND CASSIAR 23 PERCENT. U.S. STEEL HAS A MAJOR INTEREST IN UNCLASSIFIED

UNCLASSIFIED

PAGE 04 VANCOU 00513 080252Z

THE HOWARD'S PASS ZINC-LEAD DEPOSIT, AND BETHLEHEM STEEL HAS A MINOR INTEREST IN ZINC-LEAD DEPOSIT AT MACMILLAN PASS. THE TUNGSTEN DEPOSIT AT MACMILLAN PASS IS BEING DEVELOPED BY A U.S. COMPANY. MOST LEAD AND ZINC PRESENTLY PRODUCED IN THE YUKON IS MARKETING IN JAPAN. PRESUMABLY, SOME OF THE PRODUCTION FROM NEW MINES WOULD BE MARKETING IN THE U.S., ESPECIALLY IN VIEW OF THE INTEREST OF THE U.S. STEEL COMPANIES. THE SAME IS PROBABLY TRUE OF THE TUNGSTEN. LUPPI

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